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Viewing cable 09ANKARA1725, TREASURY OFFICIAL ON FIGHT AGAINST TERRORIST

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Reference ID	Created	Released	Classification	Origin
09ANKARA1725	2009-12-04 11:40	2011-08-30 01:44	SECRET	Embassy Ankara

Appears in these articles:

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VZCZCXYZ0002
PP RUEHWEB

DE RUEHAK #1725/01 3381140
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P 041140Z DEC 09
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC PRIORITY 1379
INFO RUEATRS/TREASURY DEPT WASHDC PRIORITY

S E C R E T ANKARA 001725

SIPDIS

TREASURY FOR A/S COHEN, BURDICK, AND ROSENBERG

E.O. 12958: DECL: 10/30/2019
TAGS: [EFIN](#) [PTER](#) [TU](#) [IR](#) [IS](#) [GZ](#) [KPAL](#) [ECON](#)
SUBJECT: TREASURY OFFICIAL ON FIGHT AGAINST TERRORIST
FINANCING

REF: A. ANKARA 1521
[1](#)B. BURDICK 10/16/09 EMAIL
[1](#)C. ANKARA 430
[1](#)D. STATE 108151

Classified By: DCM Doug Silliman for reasons 1.4(b and d)

¶1. (C) Summary. During an October 19-20 visit to Ankara, Treasury Assistant Secretary for Terrorist Financing and Financial Crimes David Cohen cautioned government and banking officials about doing business with Iranian banks. GOT officials insisted they will comply with all UNSC obligations, but are unwilling unilaterally to sever trade with their neighbor Iran. A/S Cohen also discussed a pending review of Turkey by the Financial Action Task Force (FATF). Finance Minister Mehmet Simsek said he has created a task force to consider broadening Turkey's narrow definition of terrorism, but cautioned that the parliament would not be able to consider new legislation until it completes budget deliberations in December. A/S Cohen expressed appreciation for the creation of the task force, but emphasized that only actions completed before February 2010 would be factored into the FATF report. GOT officials expressed appreciation for the USG's designation of three PKK terrorist financiers. Treasury's delegation also included Senior Advisor Elizabeth Rosenberg and Policy Advisor Christopher Burdick. End summary.

First Opening on Amending the Definition of Terrorism

¶2. (C) On October 19, A/S Cohen met with Finance Minister Simsek and representatives of the Financial Crimes Investigation Board (MASAK). Simsek began the meeting by commending the USG's decision to name three PKK terrorist financiers to the list of significant narcotics traffickers. A/S Cohen and Simsek discussed the FATF's decision to undertake a "targeted review" of Turkey that will consider Turkey's compliance with the FATF's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) standards. The G-20 Leaders have given the FATF a firm deadline of February 2010 for reporting on this stage of the review process.

¶3. (C) A/S Cohen explained the work of the FATF's International Cooperation Review Group (ICRG). In April 2009, G-20 Leaders tasked the FATF to assess jurisdictions' compliance with internationally-agreed standards on AML/CFT and name jurisdictions that do not have adequate jurisdictions. After preliminary assessments, Turkey is being considered for failure properly to implement an AML/CFT regime that meets international standards. A/S Cohen detailed the timeline for the FATF review: by mid-November the GOT will receive a draft "targeted review" paper describing Turkey's key strategic deficiencies written by an unnamed member of the FATF. In December, Turkey will meet with the ICRG's Europe and Eurasian Regional Review Group in Strasbourg to discuss the paper and the action plan proposed by the review group. In mid-February, the FATF plenary will assess Turkey's key strategic AML/CFT deficiencies and any progress on addressing them. At that time, the FATF will decide whether Turkey's AML/CFT deficiencies represent a threat to the international financial system and should be publicly identified. Simsek said Turkey would cooperate fully with the process and would continue its reform efforts, but cautioned that the parliament will be fully occupied with review of the Turkish budget until late December and would not have time or manpower available until then to work closely on terrorism financing.

¶4. (C) Simsek said Turkey was one of the first countries to adopt an Anti-Terror Law and, as a long-time victim of domestic and international terror attacks, Turkey recognizes the importance of having the right framework in place to deal with terror. Simsek said Turkey does not, in practice, have a narrow view of terrorism and would not ignore terror attacks against foreign entities or businesses in Turkey and would treat perpetrators severely. A/S Cohen noted the need to amend Turkey's narrow legal definition of terrorism, which covers only attacks against the Turkish state or Turkish national interests, in order to be compliant with international standards. Simsek advised that he has named a task force with representatives from the Prime Ministry, Foreign, Finance, and Justice Ministries, chaired by MASAK to

prepare a report on Turkey's definition of terrorism and action against terrorist financing. The report will be given to the respective ministers, who will decide whether a change is possible. A/S Cohen expressed appreciation for the creation of the task force, but emphasized that only actions completed before February 2010 would be factored in to the

FATF's decision.

¶5. (C) Cohen expressed concern about delays in Turkey's compliance with the UNSC 1267 and 1373 designation process and the low level of money laundering or terror finance prosecutions. A/S Cohen noted Turkey's progress on reforming its customer due diligence, but said Turkey must strengthen its efforts to fight terrorism finance.

Turkey Must Do Business with Neighbor Iran

¶6. (S) A/S Cohen made Reftel D points on Iran's efforts to circumvent UNSC and international sanctions with Turkish financial institutions to Simsek, MASAK, xxxxxxxxxxxx, and the Banking Regulation and Supervision Agency in separate meetings.

¶7. (S) A/S Cohen reminded Simsek of FATF's repeated warnings about doing business with Iranian banks and individuals. Simsek was aware of these warnings and said Turkey would uphold international law and comply with all UN Security Council Resolutions. He said Turkish financial institutions would continue to apply extreme due diligence and special vigilance when dealing with Iran, but noted that Turkey has the geographic reality of a long border and trading history with Iran. He noted this trade must be financed on an ongoing basis and insisted the U.S. must keep this in mind. Simsek said Turkey would welcome any specific intelligence the USG can share about Iranian entities supporting terrorism. In response to downgraded intelligence information on Iranian mis-use of the Turkish financial system that A/S Cohen passed, Simsek noted Turkey wants all its neighbors to be free of nuclear weapons. Simsek pledged to instruct Turkish financial institutions to increase vigilance against Iranians who might use deceptive methods to circumvent international sanctions.

¶8. (S) On October 20, xxxxxxxxxxxx also expressed appreciation for the USG's "courageous" designation of the three PKK terrorist financiers and the hope that Turkey's European partners will follow the U.S. example. He said terrorists are not using weapons or components made or sold in Turkey; instead, they are buying 90 percent of these products from the EU. xxxxxxxxxxxx said pressure should be brought against the EU to stop selling arms to Iran, rather than just asking Turkey to stop the flow after the weapons are sold.

¶9. (C) xxxxxxxxxxxx noted that Turkey has been suffering from terrorism for decades and had an Anti-Terror Law in place before the September 11, 2001 terror attacks. He mentioned the 2006 law criminalizing money laundering and GOT efforts to enhance customer due diligence and suspicious transaction reporting regimes. xxxxxxxxxxxx noted that Turkey follows both domestic law and sanctions under its international obligations when fighting terror finance, including the UN's Terrorism Finance Convention, UNSCR 1267 and 1373, and the Counter Terrorism Committee, which Turkey will chair in 2010.

¶10. (C) xxxxxxxxxxxx said Turkey enforces all UNSCR sanctions against Iran, despite a shared border and an admittedly-difficult history, but cannot do anything beyond UNSCRs and existing law. He added his hope that Europe will follow the USG's PKK designation example and noted that the EU could and should do more against terrorist financing.

Aid to Gaza

¶11. (C) On Gaza, xxxxxxxxxxxx said Turkey's interest is in providing humanitarian assistance to Gaza directly without

providing support to Hamas. A/S Cohen encouraged the GOT and private Turks to use UN mechanisms to give aid in ways that keep money out of Hamas's hands. He said "we sympathize with the needs of people in Gaza" and will send money directly to the people and work to "convince our Israeli friends to send help also." xxxxxxxxxxxx noted that the Israeli Government has prohibited the movement of aid to Gaza. A/S Cohen raised concerns about IHH, the Turkish Humanitarian Relief Foundation, which was a large NGO providing material assistance to Hamas. (See Reftel C.) xxxxxxxxxxxx said he was not familiar with the NGO but would look into the matter.

Halkbank Cautious on Trade Finance with Iran

¶12. (S) A/S Cohen met with xxxxxxxxxxxx

xxxxxxxxxxxx to discuss concerns about Halkbank's involvement with Iran and possible Iranian efforts to circumvent sanctions by disguising the real origins and sources of transactions. xxxxxxxxxxxx said Halkbank complies with all UN sanctions and will remain alert and extra vigilant against these efforts. He noted that Halkbank has a representative office in Tehran, left over from its 2004 merger with Pamuk Bank. He noted that after the 2004 merger, Halkbank ended its correspondent banking relationship, but not its business development, maintaining a representative in Tehran. He acknowledged Halkbank has a long-inactive correspondent account with Bank Sepah, which it can close. xxxxxxxxxxxx emphasized that Halkbank provides financial services and products for trade, but does not undertake third party or transit transactions. All of its trade finance is done on a documentary basis with strict customs controls and inspections. He added that no deals are financed on a cash-for-goods basis. xxxxxxxxxxxx said Turkey has "many millions of Euros" in trade with Iran, but apart from oil purchases, the total is only 10-15 million Euro. A/S Cohen warned that the USG has evidence of Iran falsifying documents to push through transactions. xxxxxxxxxxxx said they would remain vigilant and would welcome any specific details.

¶13. (C) xxxxxxxxxxxx noted that 25 percent of Halkbank's equity floats on the Istanbul Stock Exchange and 90 percent of that total is foreign owned. He said Halkbank is careful to consult and be alert to all names on the Office of Foreign Assets Control list and all circulars and information from MASAK. A/S Cohen discussed the need to broaden the Turkish definition of terrorism and further criminalize terrorist financing. The Halkbank officials agreed and said the AKP has the votes needed to push this through the parliament. xxxxxxxxxxxx asked A/S Cohen how the USG's relationship with Iran will develop over time. A/S Cohen responded that the USG wants to work with the international community to prevent Iran from developing nuclear weapons. We want to keep communication lines open but also to hold Iran to UNSC sanctions and obligations, he added. Halkbank closed by noting that there was a sensitive balance that Turkey had to play, noting the large numbers of unemployed youth in Iran and the need for Turkey to offer legitimate help to the Iranian economy.

¶14. (SBU) A/S Cohen met with representatives of the Banking Regulation and Supervision Agency (BRSA) to discuss points mentioned above. BRSA noted Turkey's progress in complying with FATF regulations and efforts to expand that work. They outlined the bank examination and auditing process and the collection of data on all banks in Turkey. The officials made note of all A/S Cohen's points and pledged to share the information with xxxxxxxxxxxx. In response to specific instances of illicit Iranian activities, the BRSA officials pledged to pass this information to the BRSA's Enforcement Division and reply with any information that they found. Regarding the activities of Bank Mellat, BRSA officials noted that the bank has a negligible share of the banking sector. Mellat conducts mainly trade transactions through its Turkish branches, and the bank is audited four times per year by external auditors.

¶15. (U) A/S Cohen has cleared on this report.

Jeffrey

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